

AGENDA MEMO

CITY COUNCIL MEETING DATE: July 12, 2006

DEPARTMENT: ADMINISTRATIVE

ITEM DESCRIPTION: Discussion and possible action regarding an Exclusive Negotiation Agreement between City Parkway V, Inc., and Heritage-Nevada VIII, LLC, for the development of an industry-specific, office and retail complex on a portion of the Union Park property bounded by Grand Central Parkway, Bonneville Avenue and the Union Pacific Railroad Rail Line (APNs 139-34-110-002 and 003) - Ward 5 (Weekly)

1. On May 17, 2006, the Las Vegas City Council approved the Union Park Business Plan prepared by Newland Communities, LLC ("Newland"). The Business Plan contained recommendations for development of specific parcels within Union Park, including a 3.72-acre parcel ("Parcel E") near the northern end of the site.
2. This Exclusive Negotiation Agreement ("Agreement") will allow Newland Communities, on behalf of City Parkway V, Inc. (City Parkway), to negotiate with Heritage-Nevada VIII, LLC ("Heritage") for the development of an expanded Parcel E. The expanded Parcel E would be roughly 5.38 gross acres, after moving the Southern property line 150' to the South. The Agreement also specifies shared parking rights on Parcel P.
3. Heritage proposes to build an office and retail complex on Parcel E to serve an industry which is not present in Las Vegas. The complex, named initially as "Project Splendor", would house tenant businesses in a 500,000 square-foot office building. The businesses would have retail stores in approximately 100,000 square feet.
4. The Agreement gives Heritage a term of 12 months to negotiate with end-user tenants and to negotiate final disposition terms with Newland on behalf of City Parkway. The Agreement allows Heritage at its discretion to extend the agreement by 6 months, provided that Heritage completes a Site Development Review application, and submits an additional deposit of \$200,000.
5. Heritage must submit an initial earnest money deposit of \$200,000. If the Developer exercises the 6-month extension period, the Developer at the time must submit an additional deposit of \$200,000, and the initial earnest money deposit at that time would become nonrefundable.
6. Heritage has agreed to pay City Parkway a purchase price of \$40.00 per gross square foot upon closing. The City has agreed to pay for the costs of remediating any contaminated soils or contaminated groundwater, to a maximum of \$12.00 per square foot, unless otherwise negotiated during the term of the Agreement.

City of Las Vegas

7. The City will be pursuing extension of Foreign Trade Zone #89 to include Parcel E, which would extend to the Developer certain tax and customs benefits, if the foreign trade zone status were to be approved by the U.S. Department of Commerce.
8. The City also acknowledges that Heritage may submit a tax increment financing application to the City of Las Vegas Redevelopment Agency, if Heritage deems that tax increment financing would benefit the Project.
9. During the term of this Agreement, Heritage and City Parkway will be working to negotiate a disposition and development agreement which would specify additional disposition and development terms. Heritage has agreed to provide City Parkway access to sufficient financial information, including letters of intent, source of financing, and financial capacity of Heritage, in order for City Parkway to be assured that Heritage has the capacity to complete the Project. Financial information is subject to confidentiality as described in the Agreement.
10. City Parkway has agreed to keep confidential the proprietary aspects of Project Splendor, as is needed for Heritage to successfully complete the Project.
11. A disclosure of principals is attached to the Agreement. The disclosure lists Robert Zarnegin as the sole beneficial owner of Heritage. Heritage may assign rights to the Agreement, provided that Mr. Zarnegin retains voting rights and a 25% interest in the assignee company.